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## CHAPTER 16

**ACCOUNTING FOR DISBURSEMENTS, COLLECTIONS  
AND ADJUSTMENTS**1601 GENERAL

This chapter provides guidance on accounting for disbursements, collections, and adjustments to disbursements and collections.

1602 DISBURSEMENTS

160201. Disbursements are cash, check, electronic funds transfer (EFT), On-Line Payment and Collection (OPAC), or interfund payments that liquidate an established obligation, disburse amounts previously collected into a deposit fund account, or provide cash in advance of performance.

160202. The Operating Location (OPLOC) or Finance and Accounting Office (FAO) will process disbursements using one of the following three methods:

A. "For self" disbursements made by the disbursing office servicing the OPLOC/FAO. All disbursements made by the Directorate for Central Disbursing (DCD) for any customer of DCD is a "for self" disbursement.

B. Transaction for others (TFO) disbursements (including cross-disbursements) made by a disbursing office other than the one servicing the OPLOC/FAO. Includes disbursements made by DCD for activities not serviced by DCD.

C. Interfund transaction generated by an automated billing system that simultaneously collects and disburses and enters both into the sellers' accounts.

1603 TYPES OF DISBURSEMENTS

160301. Progress payments are disbursements to contractors for work performed subject to stipulated percentages.

160302. Advances are payments made prior to constructive delivery of goods or services and are liquidated based on the receipt of the goods or services.

160303. Partial/final payments are for work performed/delivered and may require obligation adjustments.

160304. Deposit payments are made from an account established to hold or keep the dollar amounts until proper distribution can be made.

**1604 DISBURSEMENTS WHEN THERE IS NO CONTINUING RESOLUTION**  
**AUTHORITY (CRA)**

160401. If an Appropriation Act has not been passed and signed into law and there is no CRA, then disbursements can only be made:

- A. To liquidate prior-year obligations
- B. To liquidate new obligations for unexpired multi-year appropriations.
- C. To liquidate obligations for revolving and trust funds (no-year) while cash balances exist.

160402. Do not make any disbursements that cite an unapproved appropriation.

160403. If there has been a previous CRA, disbursements liquidating obligations made during the previous CRA may be made. Do not make any disbursements liquidating new obligations incurred after the expiration of the previous CRA.

160404. Do not generate no-check drawn SF 1080/SF 1081 transactions disbursing funds not provided through an Appropriation Act or CRA.

160405. Do not generate interfund bills for requisitioning activities citing other than AWCf or other no-year funds.

**1605 FOREIGN CURRENCY DISBURSEMENTS**

160501. When making a disbursement in foreign currency, compute the amount of the disbursement in U.S. dollars at the current rate of exchange. Compare this to the amount obligated. The obligation is recorded at the budget execution rate. Liquidate the obligation at the budget execution rate. If no obligation was previously recorded, simultaneously obligate and liquidate the transaction at the budget execution rate using the funding appropriation. Charge or credit the realized variance (difference between the transaction at the budget execution rate and the current rate) in accordance with (IAW) the guidance below:

A. Military Construction, Military Family Housing Operations and Maintenance, and Military Family Housing Construction: charge/credit the realized variance to the current year foreign currency fluctuation (FCF) Army Management Structure Code (AMSCO) for these appropriations.

B. Defense Health Program: charge/credit the realized variance to the FCF AMSCO for the fiscal year the obligation was made.

C. Operation and Maintenance, Army: charge/credit the realized variance to the FCF AMSCO for the year the obligation was made.

D. Military Pay and Allowance: charge/credit the realized variance to FCF AMSCO for the year the obligation was made.

160502. Some contractual arrangements provide for paying U.S. dollars to a contractor based on foreign currency value. In these instances, make the disbursement in U.S. dollars to the contractor based on a foreign currency budget rate. The contractor then purchases foreign currency for payment of labor or other costs. Based on the existing exchange rate, reimburse or charge the contractor for additional conversion charges or any gain realized. Credit or charge the proper FCF AMSCO for the gain or loss when the contracting officer verifies the current rate of the contractor's currency purchase. Maintain an adequate audit trail to the original payment voucher when the FCF AMSCO is credited or charged.

1606 PAYMENT OF INVOICES CITING CANCELED FUNDS AWAITING CURRENT YEAR FUNDS

160601. Procedures for payment of canceled year invoices with current year funds are provided in the Department of Defense Financial Management Regulation (DoDFMR), Volume 3, Chapter 10. The procedures in this section are additional procedures.

160602. When the vendor pay office determines an invoice citing canceled year funds should be paid using current year funds; they will place the invoice on-hold. Within seven calendar days of this determination, the vendor pay office will then send a written notification, with back up documentation, to the fundholder requesting current year funds to pay the invoice. The back up documentation will enable the fundholder to validate the invoice prior to requesting funds. For Treasury Index 97 (Defense Agency funds) the vendor pay office will notify the comptroller of the applicable Defense Agency or Activity. Include in the notification, a 30 day suspense date, phone number, fax number, and E-mail address of the point of contact (POC). Also include:

- A. Payee
- B. Invoice date
- C. Contract number or purchase order number
- D. Accounting classification reference number (ACRN)
- E. Dollar amount
- F. Complete fund cite as it appears on the contract or purchase order
- G. Limit or subhead if applicable

160603. All references to time and action dates begin with the date of the notification to the fundholder.

160604. The vendor pay office will accumulate copies of these notifications and monthly provide them to Defense Finance and Accounting Service (DFAS) Center for Sustaining Forces - Indianapolis. No later than the 3rd workday of the following month, FAX the copies of the notifications to 317-510-7381 for Army funds and 317-510-7113 for Defense Agency funds. DFAS Center for Sustaining Forces - Indianapolis will forward the notifications to the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)) for Army funds and to the Office of the Deputy Comptroller (Program and Budget) (ODC(P&B)) for Defense Agency funds and request a reallocation of the fundholder's current year funds.

160605. The fundholder is required to provide an appropriate current year fund cite, to include corresponding new ACRNs when appropriate, immediately to the vendor pay office.

160606. Payment Procedures.

A. The payment must be made in the same fiscal year that the obligation is recorded. For example, during FY 99, additional O&M funds are received to pay an invoice that should have been paid with FY 93 O&M funds. Both the obligation and payment of the FY 99 funds must be accomplished and recorded in FY 99. The funds for this purpose may not be carried over to the next fiscal year.

B. Within 10 workdays from receipt of a current year fund cite from the fundholder, the vendor pay office will pay the invoice and charge it to the fund cite provided. Document each payment with reference to the original canceled fund cite.

C. If the vendor pay office has not received current year funds within five months from date of notification, they will notify DFAS Center for Sustaining Forces - Indianapolis with a copy to the fundholder. The vendor pay office will accumulate the copies and provide them to DFAS Center for Sustaining Forces - Indianapolis on a monthly basis to the fax address provided in paragraph 160604. Issue the notification no later than five workdays after the end of the five-month period. Include in the notification another request for current year funding, and advise that in 30 days the ODC(P/B) will withdraw obligational authority from the account of the fundholder. Also include in the notification:

1. Basic symbol of the canceled account
2. Limit or subhead
3. Total amount owed
4. Number of on-hold invoices

D. DFAS Center for Sustaining Forces - Indianapolis will forward the notifications to the ASA(FM&C) or the comptroller of the Defense Agency or Activity.

E. If the vendor pay office has not received current year funds within six months, they will again notify DFAS Center for Sustaining Forces - Indianapolis. Prepare and send this notification within 10 workdays as directed in paragraph 160601 above. DFAS Center for Sustaining Forces - Indianapolis will consolidate the notifications and submit them to DFAS-HQ monthly. DFAS Center for Sustaining Forces - Indianapolis will also submit a report to ODC(P&B) summarizing all on-hold bills that are five or six months old. The ODC(P&B) will then withdraw obligation authority from the current year funds of the fundholder in an amount sufficient to pay the on-hold invoices and reallocate the funds to pay the on-hold invoices. The ODC(P&B) will also direct the fundholder to obligate the funds to pay the on-hold invoices within 10 days following the reallocation of funds.

E. When ODC(P&B) issues the reallocation, DFAS Center for Sustaining Forces - Indianapolis will notify the vendor pay office. If after 10 workdays from this notification date, the vendor pay office has still not received a current year accounting classification from the fundholder, the vendor pay office will use the reallocation issued as the authority to cite current year funds to pay the on-hold invoices. The vendor pay office will construct a current year accounting classification based on the reallocation issued, incorporating the document number if possible, and then notify the accounting activity.

160607. The vendor pay office will submit a quarterly report of all invoices on-hold by the 3rd workday after the close of each quarter (January, April, July, and October). Submit the report to the fax number in paragraph 160604. Sort the report by appropriation and fund holder. DFAS Center for Sustaining Forces - Indianapolis will distribute the reports to the applicable fundholders, with a copy to their respective ASA(FM&C) or Defense Agency Comptroller. Include in the report:

- A. Fund cite
- B. Fundholder (name and location)
- C. Payee
- D. Amount
- E. Contract number
- F. ACRN (if possible)
- G. Age (months on-hold since initial notification)

160608. Retain for future reference and audit purposes, adequate supporting documentation for all payments made under this authority. DFAS and the fundholders will

continue to share information to assure compliance with all guidance on charging invoices citing canceled year funds to current year funds. DFAS accounting activities will maintain general ledger controls for canceled year funds.

**1607 PAYMENT OF INVOICES IN STOP PAY STATUS**

160701. Negative Unliquidated Obligations (NULOs) and stop payment procedures are defined and discussed in Chapter 29, paragraph 291605 of this regulation and in the DoDFMR, Volume 3, Chapter 11. For the past several years, the Department of Defense (DoD) Appropriations Act has provided authority to pay invoices in stop pay status using current appropriations under certain conditions. The procedures for this authority are provided below; however, this authority will expire if it is not provided for each year in the Appropriations Act. Activities will be notified by message in the event this authority expires.

160702. For an expired or closed appropriation in stop pay status for six months or more, charge the disbursement and accompanying obligation or obligation adjustment to a current appropriation available for the same purpose as the expired or closed appropriation if:

- A. The obligation would have been properly chargeable to the expired or closed appropriation before expiration or closing, and
- B. The obligation is not otherwise properly chargeable to any current appropriation, and
- C. The total amount charged to an applicable current appropriation under this authority does not exceed an amount equal to one percent of the total current appropriation.

160703. The one- percent limitation applies to the total current appropriation or fund. DFAS and the appropriation managers will continue to share information to assure compliance with the one- percent limit and other conditions of this procedure.

160704. Procedures.

A. The activity (e.g. vendor pay office) holding the bill in stop pay status must track and report the status weekly to DFAS Center for Sustaining Forces - Indianapolis. DFAS Center for Sustaining Forces - Indianapolis will consolidate these reports and submit the consolidated report to DFAS-HQ. Include the following information on the report for each bill held in stop pay status:

- 1. Appropriation
- 2. Limit or subhead
- 3. Dollar amount

4. Payee
  5. Contract number or Military Interdepartmental Purchase Request (MIPR) number
  6. Age category (The age category is the number of months, in whole numbers, the bill has been in stop pay status. If a bill in stop pay status was inadvertently not reported, then report it in the next report and reflect the proper age category.)
- B. Submit the reports by the close of business each Thursday to fax number 317-510-5574.
- C. DFAS Center for Sustaining Forces - Indianapolis will consolidate the reports and notify the fundholder and the respective appropriation manager monthly of new bills in stop pay status and request a current fund cite. The appropriation manager or fundholder must provide DFAS Center for Sustaining Forces - Indianapolis with the fund cite within 10 working days after notification.
- D. The fund cite provided must be consistent with the corresponding obligation in order to prevent NULOs. The fund cite will include unique project codes, or AMSCOs, to properly track and clearly identify these transactions. These codes are published in DFAS-IN Manual 37-100-FY. The funds are controlled through the Program and Budget Accounting System (PBAS).
- E. Maintain identification of all stop pay transactions, and maintain adequate supporting documentation for future reference and audit purposes. The office responsible for fund control must assure that the obligation document is prepared and recorded in the accounting system. The obligation in the stop pay appropriation will remain in the accounting system until the account is canceled.
- F. DFAS Center for Sustaining Forces - Indianapolis will forward the fund cite to the paying office to include on the payment documentation. The paying office will process the payment within 10 working days following receipt of the fund cite. The paying office will report bills not paid by the 10th day to DFAS Center for Sustaining Forces - Indianapolis by the end of the following week with an explanation and status of the pending payment.
- G. The paying office will notify DFAS Center for Sustaining Forces - Indianapolis when actual payments are made. Include the following information:
1. Payment date
  2. Voucher number
  3. Dollar amount



4. Complete fund cite

H. If the DFAS Center for Sustaining Forces - Indianapolis has not received the fund cite within five months from the original date of notification, they will notify the applicable appropriation manager and fundholder that the bill remains unpaid and in a stop pay status. This notification will also inform the fund holder that in 30 days, ODC(P/B) will withdraw obligational authority from the fund holders current funds.

I. If the bill remains unpaid after 6 months from the original date of notification, ODC(P&B) will withdraw obligational authority from the fundholders current funds and reallocate the authority in the fundholders current appropriation for the sole purpose of paying the stop pay invoice. If the fundholder still fails to obligate the funds at this time, the paying office will pay the stop pay bill on the 10th day based on the current fund cite identified in the reallocation funding document issued by ODC(P/B).

I. During this payment process, the paying office must annotate and track each payment made under this authority. They must retain adequate records to identify and support all payments made under this authority.

J. When a condition one case is corrected and the appropriation is removed from stop pay status, DFAS Center for Sustaining Forces - Indianapolis will notify the applicable appropriation manager. At this time, the office holding bills in stop pay status will schedule them for payment unless this would put the appropriation back in a stop pay status. In this situation, DFAS Center for Sustaining Forces - Indianapolis will coordinate with the paying office and the appropriation manager to determine the proper action. When an appropriation is removed from stop pay status and is immediately canceled, pay any remaining invoices on hold using the procedures for payment of canceled account invoices (see section 1606) as opposed to the procedures for appropriations in stop pay status.

K. Accounting activities must continue to track all liabilities (e.g., accounts payable) and receivables pertaining to canceled appropriations until appropriately disposed of.

1608 COLLECTIONS--GENERAL

160801. Collections are funds received from individuals or organizations, in the form of cash, check, credit card, OPAC, voucher deduction, or billing/adjustment voucher.

160802. The OPLOC/FAO will process collections using one of the following three methods:

A. "For self" collections made by the disbursing activity servicing the OPLOC/FAO. All collections processed by DCD for customers of DCD are "for self" collections.

B. TFO collections made by a disbursing activity other than the one servicing the OPLOC/FAO. Includes collections processed by DCD for activities not serviced by DCD.

C. Interfund collection transactions generated by an automated billing system simultaneously collects the disbursement into the sellers' account.

160803. The OPLOC/FAO will reconcile collections received from military and civilian payroll systems and other government accounting systems to the documentation provided by these systems.

160804. The OPLOC/FAO will process unidentified collections to the appropriate suspense account. See DFAS-IN Manual 37-100-FY. The serviced activity will assist in identifying the correct account in which to record the collection. Also see Chapter 18.

#### 1609 TYPES OF COLLECTIONS

160901. Appropriation reimbursements are collections which result from the sale of supplies, materials, services or equipment by Army activities to other Army activities, other DoD activities, bureaus or agencies of the U.S. Government, individuals, firms, or corporations.

160902. Deposit fund collections are for temporary holding.

160903. Miscellaneous receipts are collected into Treasury's miscellaneous receipt accounts.

160904. Refunds are returns of advances or recoveries of erroneous disbursements. The refund is credited to the appropriation originally cited.

160905. DFAS Center for Sustaining Forces - Indianapolis' Transportation Payments will refund moneys collected for the value of U.S. Government property in transit by carriers, and for associated unearned freight, based on SF 361, (Transportation Discrepancy Report) (TDR), via TFO/transaction by others (TBO) process. Transportation Payments notifies the applicable OPLOC/FAO that a claim has been filed against a carrier for a specific dollar amount. When notified, the OPLOC/FAO will establish a refund receivable and process a collection upon receipt of the TBO credit.

#### 1610 DOCUMENT CONTROL PROCEDURES

Upon receipt of the accounting copies of disbursement and collection vouchers from the disbursing activity, the OPLOC/FAO will:

161001. Ensure that all vouchers comprising the day's business were received by comparing the vouchers received to the transmittal summary sheets. If a difference is detected, contact the disbursing activity to determine the correct amount or the status of the missing voucher.

161002. Reconcile disbursements and collections daily.

161003. Prepare the block control ticket according to Chapter 2, when the comparison is complete. (NOTE: Block tickets are not required for interfacing systems.)

161004. Receive, control, and store each day's original money account documents from disbursing. (See Chapter 2.)

161005. Review the original cash money account documents and DA Form 5260 (Daily Accountability Worksheet and Proof of Cash) for accuracy.

161006. Accumulate the original collection documents for the entire accounting period. See Chapter 2 for disposition instructions.

161007. Sales officers and others depositing cash collections (including checks) with the cashier will furnish accounting a validated copy of each collection voucher reflecting both the sales or collection voucher number and the collection voucher number assigned by the cashier. Sales officers and others making deposits with the cashier will assign a consecutive sequence of voucher numbers to the collection vouchers. The OPLOC/FAO will verify that for each copy of a collection voucher received that the original was processed into the accounting records.

#### 1611 MEDCOM THIRD PARTY COLLECTIONS

161101. 10 United States Code (U.S.C.) 1095 authorizes medical facilities to utilize third party collections received in the year in which the transaction is processed. For example, a service provided in FY 98, but not collected until FY 99, will be recorded as a collection in FY 99.

161102. Collections received under the Third Party Collection Program (TPCP) are treated as unearned revenue. Unearned revenue is accounted for by using existing project account codes found in DFAS-IN Manual 37-100-FY.

161103. The medical treatment facility (MTF) is responsible for establishing three APCs and appropriate customer numbers within STANFINS, which will facilitate visibility and reimbursable accountability. For purposes of this section, the APCs will be referred to as APC1, APC2, and APC3. APC1 records the original collection (unearned revenue) from the TPCP. APC2 transfers the collection to cover obligations. APC3 establishes the order, earning, obligation and disbursement. Each 8T\* account used will have a unique APC3. Additionally, RSC 935 will be used to designate outpatient and RSC 936 designates inpatient.

161104. The servicing accounting activity, using the SF 1080 generated by the system, will:

A. Process a collection transfer, using APC1 and APC2 for the amount of the unearned revenue used from the TPCP receipts for authorized purchases of supply or services.

B. Process a collection (type action (TA)43, debit) with APC1, using the appropriate customer number (associated with reimbursement source code (RSC) 935 or 936) established for the unearned revenue. This reduces the unearned revenue, which is equal to funds used to liquidate the obligation. To complete the collection transfer process and make the funds available for use with AMS 8T, use the appropriate AMS and customer number established for APC2, and process a credit TA 43 for the same dollar amount.

C. Post a TA AV, 11 and 1L with APC3 in dbCAS. Upon processing, the orders and funding will be posted to the customer number for APC3.

161105. Proper accounting for TPCP is dependent upon utilization of the correct APC and customer number at every step. There must be close coordination between the MTF and servicing accounting activity

**1612 COLLECTION OF PROCEEDS FROM SALE OF LOST, ABANDONED, OR UNCLAIMED PERSONAL PROPERTY**

161201. See also paragraph 140401.

161202. The gross amount of the sale will be credited to the installation operations and maintenance account (current year) as a refund of expense in current year. Eighty percent of the proceeds will be used to support local Morale, Welfare and Recreation (MWR) programs. These funds will not be used for any other program. The eighty- percent will be paid directly to the installation MWR single fund.

**1613 COLLECTION OF RECOVERIES FOR LOSS OF DUTY TIME AND COST OF MEDICAL TREATMENT FOR INJURED SERVICE MEMBER**

161301. IAW 42 U.S.C. 2651, amounts recovered from a liable third-party or insurer for loss of duty time and cost of medical treatment provided by a medical facility for injury to a service member will be credited to current operating funds as follows:

A. Amount recovered for medical care and related services by a medical treatment facility will be credited to the current operating funds of the facility or activity that provided the care and or services.

B. Amount recovered for loss of duty time of the service member will be credited to current operating funds of the command, activity, or unit to which the service member was assigned at the time of the injury and loss of duty time.

161302. A patient accounts receivable will normally be established for medical treatment, and will be handled IAW third-party reimbursement practices. An account receivable

will not be established in an operating fund account for the loss of duty time unless there is a firm settlement agreement or legal order for payment to be made, and receipt of the amount is assured prior to the end of the month. Earnings and budgetary resources will not be recognized prior to the month in which collection actually occurs.

161303. The DD Form 1131 (Collection Voucher) will include a statement that this is a 2651 recovery.

1614 COLLECTION OF RECOVERIES FOR DAMAGE TO REAL PROPERTY

161401. IAW 10 U.S.C. 2782, amounts recovered for damage to real property under the jurisdiction of a Secretary of a Military Department or the Secretary of Defense will be credited to the current account available for the repair or replacement of the real property. Only amounts for recoveries of damages to real property are encompassed by 10 U.S.C. 2782. In this case real property includes land improvements (road and curbing), buildings and permanently attached equipment (truck scale), structures (small buildings and entrance facilities), and appurtenances (signs and fences).

161402. Claims for damages to real property will not be established as receivables until there is a definite agreement with the responsible third party or their insurance carrier on the amount to be paid. Normally, such amounts will be paid almost immediately upon reaching an agreement and a receivable will not be required.

161403. Amounts recovered will be credited to the current account available for the repair or replacement of the real property at the time of recovery. At the time of recovery, the amount will be recorded as other funds unavailable for commitment/obligation since these funds currently need special appropriation act language before being used.

161404. The DD Form 1131 will include a statement that this is a 10 U.S.C. 2782 recovery.

1615 COLLECTION OF RECOVERY FOR DAMAGE TO FAMILY HOUSING

161501. IAW 10 U.S.C. 2775, amounts recovered from a service member for damage to any family housing unit or damage to or loss of any equipment or furnishings of any family housing unit, assigned to or provided such service member when it is determined that such loss or damage was caused by the abuse or negligence of such member or dependent of such member will be credited to the DoD family housing management account current at the time of receipt of the funds. Such funds are available for use for the same purposes and under the same circumstances as other funds in the account.

161502. The DD Form 1131 will include a statement that this is a 10 U.S.C. 2775 recovery.

1616 COLLECTION OF FEDERAL EXCISE TAX

★ Process collection of Federal Excise Tax (FET) into Budget Clearing Account F3875.0111. Transfer FET collections to the Internal Revenue Service (IRS) prior to the end of the same month in which the collections were received. Use the FEDTAX II process to transfer these collections to the IRS. FEDTAX II is an electronic payment of Federal taxes by Federal agencies to the IRS. Activities receiving disbursing support from the Directorate for Central Disbursing (DCD) will contact DCD for assistance in establishing the FEDTAX II process. Activities not receiving disbursing support from DCD will contact Treasury directly to establish their FEDTAX II payment process. The email address for the FEDTAX II process is fedtax.2@firstdatacorp.com.

1617 INTERNATIONAL BALANCE OF PAYMENTS (IBOP)

See DoDFMR, Volume 6 for guidance on IBOP.

1618 ADJUSTMENTS TO COLLECTIONS AND DISBURSEMENTS

161801. Detection of Errors. The primary responsibility for detecting errors and initiating adjustments rests with the OPLOC/FAO. The procedures for correcting errors depend on when the error is detected.

A. If the error is detected prior to generation of expenditure reports, either correct the document or prepare new documents. Correct errors, other than appropriation/limit/sub-head, detected prior to expenditure report generation and prior to entering into the accounting system, by changing the voucher.

B. If the error is detected after submission of expenditure reports, make all corrections to appropriation/limit/sub-head by SF 1081.

C. If the error is detected after entry into the accounting system, correct all errors by SF 1081. Enter those SFs 1081 not affecting appropriation/limitation directly into the accounting system.

161802. Processing the Adjustment.

★ A. The OPLOC/FAO is responsible for preparing and processing any disbursing adjustments requiring an SF 1081 or journal voucher. See attachment 16-1 for instructions on journal processing.

B. The serviced activity will process on-line or furnish by electronic interface, mail, or FAX, cost transfer transactions and disbursement adjustments not requiring the preparation of SF 1081s. The cost transfers and disbursement adjustments must net to zero.

C. The OPLOC/FAO will process cost transfer transactions electronically uploaded by the fund manager.

**161803.      Processing Adjustments for Expired Accounts.**

- A.      Use the valid accounting classification for adjustments involving accounting classifications that have expired but not canceled.
- B.      When an adjustment affects the funds of more than one fiscal station, process the charge or credit to the other fiscal station's funds as a for self transaction or TFO depending on whether both fiscal stations are supported by DCD.
- C.      Process adjustments involving appropriations or funds of two or more military departments, including cross-disbursing and other arrangements for cross servicing, in the same manner as adjustments between Army appropriations.
- D.      The initiator will furnish a copy to the OPLOC/FAO who processed the adjusted transaction for filing with the retained copy of the voucher involved.
- E.      Individual disbursement adjustments in excess of \$100,000 to expired year centrally managed allotment transactions require additional monthly reporting. Report such adjustments to DFAS Center for Sustaining Forces - Indianapolis according to the RCS CSCFA-218 reporting requirements in Chapter 30.

**161804.      Processing Canceled Account Adjustments.**

- A.      Canceled account adjustments apply only to disbursements and collections made prior to an account canceling. Disbursements and collections that relate to canceled account obligations and receivables, that are disbursed or collected after the account canceled, will be charged to current year funds or collected into \*\*R3200.0001.
- B.      Canceled account adjustments can be between two canceled accounts or between a canceled account and an expired, current, revolving, trust fund, suspense, or receipt account.
- C.      Either a disbursing activity or an OPLOC/FAO may identify the need for a canceled account adjustment. Use an SF 1081 to document the adjustment. The SF 1081 must reference the previous disbursement or collection voucher being adjusted and fully explain the reason for the adjustment.
- D.      The disbursing activity or OPLOC/FAO that identified the need for a canceled account adjustment will coordinate the action with the other. The coordination will:
  - 1.      Ensure the propriety of the canceled account adjustment. A proper adjustment should correct a problem disbursement or other erroneously processed disbursement. The offset to the correction should liquidate an existing obligation and not create additional problem disbursements.

2. Identify whether the disbursement is liquidating an established obligation or whether the unobligated balance of the canceled account must be adjusted.

3. Ensure there are sufficient unobligated balances in the canceled account to process the required obligation adjustments or sufficient unliquidated obligation balances in the canceled account to process required disbursement adjustments. Contact the fund holder in instances where there is not sufficient unobligated or unliquidated balances.

E. The OPLOC/FAO will maintain memorandum canceled account balances.

F. For DFAS-CO initiated canceled account adjustments:

1. DFAS-CO will forward all requests for coordination on canceled account adjustments to DFAS-IN.

2. DFAS Center for Sustaining Forces - Indianapolis will coordinate with the OPLOC/FAO and advise DFAS-CO whether to process the adjustment. DFAS Center for Sustaining Forces - Indianapolis has 30 days to respond to DFAS-CO's request.

3. DFAS Center for Sustaining Forces - Indianapolis will process the adjustment through the clearance system.

4. The OPLOC/FAO will not process the adjustment through their local accounting system.

5. The OPLOC/FAO will update their memorandum records and file the documentation based on information from DFAS Center for Sustaining Forces - Indianapolis.

G. For canceled account adjustments not initiated by DFAS-CO:

1. The initiating OPLOC/FAO will coordinate the canceled account adjustment with the other OPLOC/FAO that is affected by this adjustment.

2. The OPLOC/FAO has 30 days to respond to the request for coordination on a canceled account adjustment.

3. Once the coordination has been obtained, forward the SF 1081 and documentation to DFAS Center for Sustaining Forces - Indianapolis (DFAS-IN/RH)

★ 161805. Supporting Documentation. Maintain supporting documentation for all corrections and adjustments.



**JOURNAL VOUCHER GUIDANCE**

A. This attachment provides guidance on the use and preparation of journal vouchers for the Department of Defense (DoD). Proper preparation of journal vouchers is important to ensure that documentation for a detailed audit trail exists and that the journal voucher is accurately recorded as a financial event. This attachment discusses the types of journal vouchers, when and how to use each type, the appropriate support that should accompany each journal voucher, and the approval necessary to ensure the proper entry of journal vouchers.

B. Operational internal controls must be in place to ensure the proper recording of journal vouchers. These controls must be in place whether journal vouchers are prepared manually or generated by an automated system. Journal vouchers may be prepared at the installation or departmental level. All journal vouchers must be:

1. Sequentially numbered by entity and reflected in a journal voucher log to maintain the integrity of journal voucher entries.
2. Identified by the 10 specific categories listed in paragraphs E and F below.
3. Reviewed to ensure proper recording of entries to posting accounts, not summary accounts, so as to facilitate analysis and footnote disclosure or FACTS reporting during the financial statement preparation process.
4. Adequately documented to support the validity and the amount of the journal voucher transaction.
5. Authorized and approved by the appropriate authority: the proper level of management, and/or the appropriate Director or designee.
6. Segregated when processed as to preparation, documentation, submission, approval, and entry.
7. Annotated with the name, title, and office symbol of both the preparer and the approver.
8. Maintained in a central location or electronically; and retained for 6 years.

C. The supporting documentation referred to paragraph B.4 above must be sufficient for the approving official to clearly understand the reason for preparing the journal voucher. This level of documentation differs somewhat from the level of documentation that must be gathered for auditors and other outside reviewers. In order to satisfy the requirements of outside parties,

attach the supporting documentation, whenever possible, to a copy of the journal voucher. If this is not practical, specific and detailed instructions regarding the content and location of the supporting documentation must be attached to the journal voucher. In all cases, a clear and concise explanation as to the purpose and nature of the journal voucher should be included with the journal voucher. This level of supporting documentation may not be completely available when the journal voucher is submitted for approval to the approving official; however, all supporting documentation must be identified and made available no more than five workdays following the approval of the journal voucher.

D. DoD uses two primary types of journal vouchers, correcting and source-entry.

1. Correcting journal vouchers adjust for errors identified during the review process. This type of accounting entry includes specific amounts, accounts, and/or transactions related to the required correction. In some cases, correcting entries are required to adjust for errors on previously prepared journal vouchers. In this instance, correcting entries should both reverse the effect of incorrect entries and record the correct amount. In some cases, both entries can be made with one journal voucher and a single set of supporting documentation. Regardless of whether a single journal voucher is prepared, or multiple journal vouchers are prepared, the correcting journal voucher should include a copy of the original journal voucher, documentation supporting the correct amount and narrative explaining how it is known that the original entry is incorrect.

2. Source-entry journal vouchers are for those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. By nature, source-entry journal vouchers are usually summarized at the entity level by general ledger account. Although finite transaction detail may not be available, the source entry journal voucher must be supported by documentation for the summarized amounts and an indication of where the transaction-level supporting detail is available. Source-entry journal vouchers are generally used for month-end closing and year-end processing and closing purposes. Source-entry journal vouchers may also include postings of information provided through data calls, such as those required to record values for property, plant, and equipment recognition.

3. Both correcting and source-entry journal vouchers will normally be summarized (net) amounts for which documentation is required. For various reasons, records of finite detail transactions may not be available. In these situations, the summarized accounting entry represents the amount to record the effect of the detailed transactions. In all such cases, however, the summarized accounting entry shall include documentation of the effect of the detailed transactions and an indication of where the transaction-level supporting detail is available.

E. Proper documentation, in either hard copy or electronic file, is necessary to support all journal vouchers. Sufficient documentation is listed below for the following categories of correcting journal vouchers.

Attachment 16-1 (continued)

1. Identified Errors and Reasonableness Checks. When the duly authorized official has identified errors through analysis, reasonableness checks, or quality control procedures, a correcting journal voucher must be prepared. Evidence to support this type of journal voucher may include a detailed listing of identified errors, narrative explaining how it is known that the original entry is incorrect, a related analysis documenting the calculation of the correct amount, and the sources of the data that were used in the analysis.

2. Reconciliation of Trial Balance and Budget Execution Reports. When the duly authorized official has determined during a reconciliation of data between two or more sources that a discrepancy exists, a correcting journal voucher may be necessary. The duly authorized official is the person (authorized by delegated power) who has determined that a source entry or correcting entry is required and what appropriate supporting documentation is necessary to support a journal voucher. In the event an auditor identified an apparent error or omission and provided the documentation for the journal voucher, the duly authorized official always will be a management official. Journal voucher entries included in this category often are made to match trial balances or other source data reported by operating locations and/or accounting stations to the DoD Components' budget execution reports. In general, trial balances or other source data should be considered to be correct and only should be adjusted to budget execution data, or other data, in instances where budget execution data are determined to be more accurate. This policy is consistent with the DoD Financial Management Regulation (DoDFMR). Evidence to support this type of journal voucher includes source data and the related analysis used to determine which is the correct amount. If a journal voucher is necessary, the voucher must document why a discrepancy exists in the data; the reason the budget execution data or other data are considered to be more accurate, and the evidence to support this reason; and how the authoritative source determined the entries on the journal voucher are correct.

3. Balancing Entries for Eliminations. When the duly authorized official has determined that, during the financial statement preparation process, entries are necessary to balance buyer-side data with data provided by the sellers, consistent with the policy in the DoDFMR, Volume 6B, Chapter 13, a correcting journal voucher must be prepared prior to eliminating selected intra-governmental accounts. The supporting documentation for these journal vouchers must include a narrative that summarizes the procedures that were used to make buyer-side adjustments. The documentation must also include the appropriate worksheets and spreadsheets that show, in detail, the seller-side data that are received, the buyer-side control values that are being adjusted, and the calculation of the adjustment amount. For example, the narrative should include, at a minimum, the following paragraphs:

a. Eliminations are necessary so as not to overstate or understate the performance or financial position of a reporting entity by including the effects of intra-entity transactions within a reporting entity. As stated in the notes to the financial statements and the

DoDFMR, Volume 6B, Chapter 13, the DoD used summary seller-side balances for revenue, accounts receivable, and unearned revenue to adjust the departmental buyer-side records for costs, accounts payable, and advances, respectively. A failure to balance the buyer- and seller-side data prior to processing eliminations by Treasury will result in significant distortions in the consolidated financial statements of the U.S. government. Balancing entries for eliminating entries also shall include amounts to ensure that the corresponding transfer-in and transfer-out accounts are equal for trading partners.

b. The procedures to use information provided by the seller/service provider for fiscal year XXXX reporting were developed due to systems limitations that prevent the identification of buyer-side transactions by specific trading partner.

c. All supporting documentation, including the detailed information from the seller that was used to adjust the buyer-side records and the resulting accounting entries, is attached.

(Note: The preceding narrative is an example of the type language that should be included for this journal voucher category. Any changes to the DoDFMR that affect the policy regarding intra-governmental eliminations should be incorporated into the journal voucher explanation.)

4. Supply Management Inventory. When the duly authorized official has determined that inventory values for supply management activities need to be adjusted from standard price to approximate historical cost, a correcting journal voucher must be prepared. The supporting documentation must include appropriate references to Volume 11B of the DoDFMR and a clear explanation of the method that was used to comply with the policy in the DoDFMR to value inventory and cost of goods sold.

5. Reclassification of Accounts. When the duly authorized official has determined that the accounting systems are unable to provide data at the required level of detail for financial statement and footnote presentation and that entries are necessary to crosswalk data from installation level accounts to the U.S. Standard General Ledger, a correcting journal voucher must be prepared. The supporting documentation must include a narrative that explains the reason the reclassification is necessary and the reason the data systems are unable to provide the data at the required level of detail.

6. Audit-Recommended Journal Vouchers. When the duly authorized official has determined that audit-recommended adjustments are required, a correcting journal voucher must be prepared. The auditors should be asked to provide copies of the appropriate workpapers or relevant information from the workpapers to support the recommended journal voucher adjustment. The proper authoritative source shall perform an analysis using the workpapers and other relevant information to determine if he or she agrees with the recommended adjustments.

Evidence to support this type of correcting journal voucher includes the audit workpapers or relevant information from the audit workpapers to support the adjustment and the related analysis performed by the proper authoritative source. In addition, the journal voucher must document why the adjustment is required and how the proper authoritative source determined that the entries included on the journal voucher are correct.

7. Customer-Requested Journal Vouchers. When the duly authorized official receives a customer-requested adjustment that is fully supported and complies with the DoDFMR, a correcting journal voucher must be prepared. Evidence to support this type of adjustment includes supporting documentation provided by the customer's duly authorized official. Evidence also includes any related analysis performed by the duly authorized official to ascertain that the adjustment is fully supported and complies with the DoDFMR. In addition, the journal voucher must document why the adjustment is required and how the duly authorized official determined that the entries included on the journal voucher are correct.

F. Sufficient documentation is listed below for the following source-entry journal vouchers:

1. Data Call Entry. Frequently during the financial statement preparation process, source-entry information is provided by data calls when the data is not recorded on a detailed transaction basis. Thus, journal vouchers must be prepared to record the summarized data call amounts, so these amounts can be recorded in the general ledger trial balance. Data call information, in most cases, is provided by an independent source. Examples of an independent source include the DoD Actuary, logistics data calls, environmental data calls, and accrual information from the Department of Labor and the Office of Personnel Management. Evidence to support the journal voucher includes the transmission record of these data in conjunction with a determination by an independent source that the source data are valid. Examples of data call entries include:

- a. Property, Plant, and Equipment.
- b. Inventory and Operating Materials and Supplies
- c. Environmental Liabilities
- d. Contingent Liabilities
- e. Employee Benefit data, Workers Compensation (FECA) data, and other information from other federal sources

2. Recognition of Undistributed Disbursements and Collections. The effects of undistributed disbursements and collections must be recognized in the accounting records and the financial statements. The DoDFMR, Volume 4 states that these amounts to be offset by reducing

Attachment 16-1 (continued)

accounts payable and accounts receivable, respectively. Entries must be made to adjust Fund Balance with Treasury, as reported, for the amount of undistributed disbursements and collections reported in the departmental expenditure system. Corresponding entries also must be made to account for undistributed disbursements and collections in accounts payable and accounts receivable. These entries represent DoD's in-float disbursements and collections for transactions that have been reported by a disbursing station but not recorded by the appropriate accountable station. The proper supporting documentation for the journal voucher consists of identifiable amounts that are in-transit from other sources (such as other DFAS Centers or federal agencies). Many amounts at the detailed transaction level are not available due to timing differences, and support consists solely of transmitted sums. Therefore, evidence available to support the journal voucher adjustments consists of summarized transmittal amounts. However, for audit trail purposes, the detailed transaction-level amounts shall be obtained from the transmittal source when the amounts become available. Further evidence includes documentation of procedures and the allocation process used to apply undistributed disbursements and collections to accounts payable and accounts receivable, respectively.

3. Other Accruals and Reversals. A number of typical month-end and year-end adjusting entries are made, and subsequently may be reversed at the beginning of the next period, to accrue amounts for payroll, workers compensation, judgement fund liabilities, unfunded leave, and other transactions. In addition, other accruals are made for expenses and accounts payable for the Mechanization of Contract Administration Services unpaid and paid liabilities, interfund, and/or payroll disbursements. The supporting documentation for these types of journal vouchers must include a narrative explaining the basis for the original accrual and any subsequent reversal. The journal voucher for the reversing entry also should include documentation regarding the original accrual entry.

G. A journal voucher that is rejected for inadequate or improper supporting documentation will be returned to the person who submitted the request for the journal voucher. The approving official will provide an explanation as to why the journal voucher was rejected, information required to obtain approval, and applicable authoritative guidance.

H. 1. Approval of the journal voucher also constitutes acceptance of the supporting documentation. The following thresholds determine who is the proper approving official.

<u>Threshold</u>	<u>Dollar Amount</u>	<u>Approving Official</u>
1	Under \$100 Million	Team Leaders, General Fund or Working Capital Fund Reporting Branch
2	\$100 - \$500 Million	Chief, Procedures and Reporting, Office of Chief Financial Officer
3	\$500 Million - \$1 Billion	Entity Director for Accounting
4	Over \$1 Billion	Entity Director

Attachment 16-1 (continued)



2. In addition, all journal vouchers over \$1 billion will be communicated to the customer and the auditors. The journal vouchers may be processed without final coordination from the customer and the auditors due to time constraints. In this situation, the final coordination should be obtained after the fact. Issues raised during the coordination process will be addressed in the next version of the statements.

I. Managerial internal controls are provided at each level of management at the DoD entities to ensure proper oversight of journal voucher preparation. Managerial internal controls shall at least entail the following:

1. Within 10 work days after the financial statements are prepared, the entity's Director for Accounting, or whoever is acting on his/her behalf, shall review all journal vouchers to determine if approval thresholds were met, and if not, obtain approvals.

2. Within 10 work days after the financial statements are prepared, the entity's Director for Accounting shall review a selected sample of journal vouchers under \$500 million to determine if supporting documentation is present and adequate. If adequate supporting documentation is not present, the journal voucher should be returned to the preparer so that adequate documentation can be obtained.

3. The entity's Director for Accounting shall review a selected sample of reversing journal voucher entries under \$500 million to determine if they are correctly prepared, documented, reviewed, processed, and approved.

4. The entity's internal review office shall include journal voucher processing in the annual internal control management review process.